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TOWNSHIP OF FRASER  
Bay County, Michigan

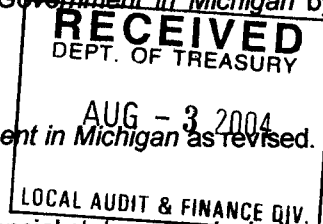
**RECEIVED**  
DEPT. OF TREASURY  
GENERAL PURPOSE FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
J AUG - 3 2004  
Year Ended March 31, 2004

## AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

<b>Local Government Type</b> <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		<b>Local Government Name</b> Township of Fraser	<b>County</b> Bay
<b>Audit Date</b> March 31, 2004	<b>Opinion Date</b> June 18, 2004	<b>Date Accountant Report Submitted to State:</b> June 18, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.



We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

### We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

**Certified Public Accountant (Firm Name)**  
Campbell, Kusterer & Co., P.C.

**Street Address**  
512 N. Lincoln, Suite 100, P.O. Box 686

**City**  
Bay City

**State**  
MI

**Zip**  
48707

**Accountant Signature**

*Campbell, Kusterer & Co., P.C.*

TOWNSHIP OF FRASER  
Bay County, Michigan

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# CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

June 18, 2004

To the Township Board  
Township of Fraser  
Bay County, Michigan

We have audited the accompanying general purpose financial statements of the Township of Fraser, Bay County, Michigan, as of March 31, 2004, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township of Fraser's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Fraser, Bay County, Michigan, as of March 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Township of Fraser, Bay County, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

*Campbell, Kusterer & Co., P.C.*

CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants

TOWNSHIP OF FRASER  
Bay County, Michigan

COMBINED BALANCE SHEET – ALL FUND TYPES AND ACCOUNT GROUPS    EXHIBIT A  
March 31, 2004    Page 1

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<u>Assets</u>				
Cash in bank	279 957 57	255 212 13	144 763 02	41 298 34
Investments	-	-	62 587 96	-
Petty cash	300 00	-	-	-
Taxes receivable	7 684 63	-	5 055 59	-
Special assessments receivable	-	13 370 28	143 780 12	-
Accounts receivable	600 00	-	-	6 228 16
Due from other funds	83 346 52	-	-	-
Land	-	-	-	-
Land improvements	-	-	-	-
Buildings	-	-	-	-
Building improvements	-	-	-	-
Equipment	-	-	-	-
Sewer system	-	-	-	-
Water system	-	-	-	-
Amount to be provided for retirement of general long-term debt	-	-	-	-
Total Assets	<u>371 888 72</u>	<u>268 582 41</u>	<u>356 186 69</u>	<u>47 526 50</u>

The accompanying notes are an integral part of these financial statements.

<u>Fiduciary Fund Type</u>	<u>Account Groups</u>		<u>Total (Memorandum Only)</u>
<u>Agency</u>	<u>General Fixed Assets</u>	<u>General Long- Term Debt</u>	
8 870 66	-	-	730 101 72
-	-	-	62 587 96
-	-	-	300 00
-	-	-	12 740 22
-	-	-	157 150 40
-	-	-	6 828 16
-	-	-	83 346 52
-	6 534 00	-	6 534 00
-	81 870 60	-	81 870 60
-	582 397 23	-	582 397 23
-	230 010 21	-	230 010 21
-	93 449 64	-	93 449 64
-	299 666 13	-	299 666 13
-	2 295 734 00	-	2 295 734 00
-	-	1 522 267 85	1 522 267 85
<u>8 870 66</u>	<u>3 589 661 81</u>	<u>1 522 267 85</u>	<u>6 164 984 64</u>

TOWNSHIP OF FRASER  
Bay County, Michigan

COMBINED BALANCE SHEET – ALL FUND TYPES AND ACCOUNT GROUPS    EXHIBIT A  
March 31, 2004    Page 2

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Contracts payable	-	-	-	-
Notes payable	-	-	-	-
Deferred revenue	-	-	141 094 16	-
Due to other funds	-	-	80 630 41	-
Due to other units	-	-	-	-
Bonds payable	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>221 724 57</u>	<u>-</u>
Fund equity:				
Investment in general fixed assets	-	-	-	-
Fund balances:				
Reserved for debt service	-	-	134 462 12	-
Unreserved:				
Undesignated	<u>371 888 72</u>	<u>268 582 41</u>	<u>-</u>	<u>47 526 50</u>
Total fund equity	<u>371 888 72</u>	<u>268 582 41</u>	<u>134 462 12</u>	<u>47 526 50</u>
Total Liabilities and Fund Equity	<u>371 888 72</u>	<u>268 582 41</u>	<u>356 186 69</u>	<u>47 526 50</u>

The accompanying notes are an integral part of these financial statements.

<u>Fiduciary Fund Type</u>	<u>Account Groups</u>		<u>Total (Memorandum Only)</u>
<u>Agency</u>	<u>General Fixed Assets</u>	<u>General Long- Term Debt</u>	
-	-	57 606 39	57 606 39
-	-	436 717 60	436 717 60
-	-	-	141 094 16
2 716 11	-	-	83 346 52
6 154 55	-	-	6 154 55
-	-	1 027 943 86	1 027 943 86
<u>8 870 66</u>	<u>-</u>	<u>1 522 267 85</u>	<u>1 752 863 08</u>
-	3 589 661 81	-	3 589 661 81
-	-	-	134 462 12
-	-	-	687 997 63
<u>-</u>	<u>3 589 661 81</u>	<u>-</u>	<u>4 412 121 56</u>
<u>8 870 66</u>	<u>3 589 661 81</u>	<u>1 522 267 85</u>	<u>6 164 984 64</u>



TOWNSHIP OF FRASER  
Bay County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES  
Year Ended March 31, 2004

EXHIBIT B  
Page 1

	Governmental Fund Types			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Revenues:				
Property taxes	85 242 95	-	69 517 76	-
Licenses and permits	9 016 82	-	-	-
State revenue sharing	243 998 87	-	-	-
Charges for services:				
Tax collection fees	28 694 83	-	-	-
Water connections	-	-	20 300 00	-
Fire	-	-	5 101 75	2 039 92
Other	5 898 65	-	-	-
Interest	3 798 18	965 06	1 298 99	-
Rents	14 518 18	-	-	-
Special assessments	-	141 645 00	36 839 78	-
Miscellaneous	5 651 80	-	-	-
Total revenues	<u>396 820 28</u>	<u>142 610 06</u>	<u>133 058 28</u>	<u>2 039 92</u>
Expenditures:				
Legislative:				
Township Board	4 793 75	-	-	-
General government:				
Supervisor	16 900 82	-	-	-
Elections	136 93	-	-	-
Assessor	25 059 35	-	-	-
Attorney	6 790 50	-	-	-
Clerk	17 206 68	-	-	-
Board of Review	945 70	-	-	-
Treasurer	17 496 20	-	-	-
Building and grounds	41 986 99	-	-	-
Cemetery	2 295 00	-	-	-
Unallocated	27 092 98	-	-	-
Public safety:				
Liquor law enforcement	-	2 508 87	-	-
Fire protection	52 420 00	-	8 237 72	-
Ambulance	3 375 00	-	-	-
Planning and zoning	14 759 89	-	-	-

The accompanying notes are an integral part of these financial statements.

Total  
(Memorandum  
Only)

---

154 760 71  
9 016 82  
243 998 87

28 694 83  
20 300 00  
7 141 67  
5 898 65  
6 062 23  
14 518 18  
178 484 78  
5 651 80

674 528 54

4 793 75

16 900 82  
136 93  
25 059 35  
6 790 50  
17 206 68  
945 70  
17 496 20  
41 986 99  
2 295 00  
27 092 98

2 508 87  
60 657 72  
3 375 00  
14 759 89

TOWNSHIP OF FRASER  
Bay County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES  
Year Ended March 31, 2004

EXHIBIT B  
Page 2

	Governmental Fund Types			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Expenditures: (continued)				
Public works:				
Highways and streets	3 119 83	-	-	-
Street lighting	5 811 31	-	-	-
Water	-	-	667 80	-
Sanitation	-	140 616 00	-	-
Drains	4 901 18	-	-	-
Culture and recreation:				
Recreation and parks	6 027 42	-	-	-
Other:				
Social security	7 443 33	-	-	-
Retirement	11 156 60	-	-	-
Capital outlay	1 529 98	-	-	-
Debt service	149 858 16	-	138 332 79	-
Total expenditures	<u>421 107 60</u>	<u>143 124 87</u>	<u>147 238 31</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(24 287 32)</u>	<u>(514 81)</u>	<u>(14 180 03)</u>	<u>2 039 92</u>
Other financing sources (uses):				
Operating transfers in	13 388 25	-	-	-
Operating transfers out	-	-	(13 388 25)	-
Total other financing sources (uses)	<u>13 388 25</u>	<u>-</u>	<u>(13 388 25)</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(10 899 07)</u>	<u>(514 81)</u>	<u>(27 568 28)</u>	<u>2 039 92</u>
Fund balances, April 1	<u>382 787 79</u>	<u>269 097 22</u>	<u>162 030 40</u>	<u>45 486 58</u>
Fund Balances, March 31	<u>371 888 72</u>	<u>268 582 41</u>	<u>134 462 12</u>	<u>47 526 50</u>

The accompanying notes are an integral part of these financial statements.

-  
-  
-  
-  
-  
Total  
(Memorandum  
Only)  
-

3 119 83  
5 811 31  
667 80  
140 616 00  
4 901 18  
-

6 027 42  
-

7 443 33  
11 156 60  
1 529 98  
288 190 95  
-

711 470 78  
-

(36 942 24)  
-

13 388 25  
(13 388 25)  
-

-  
-

(36 942 24)  
-

859 401 99  
-

822 459 75  
-

TOWNSHIP OF FRASER  
Bay County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –  
GENERAL AND SPECIAL REVENUE FUNDS  
Year Ended March 31, 2004

EXHIBIT C  
Page 1

	General Fund		
	Budget	Actual	Over (Under) Budget
Revenues:			
Property taxes	80 000 00	85 242 95	5 242 95
Licenses and permits	7 000 00	9 016 82	2 016 82
State revenue sharing	230 000 00	243 998 87	13 998 87
Charges for services:			
Tax collection fees	22 000 00	28 694 83	6 694 83
Other	1 000 00	5 898 65	4 898 65
Interest	1 000 00	3 798 18	2 798 18
Rents	6 000 00	14 518 18	8 518 18
Special assessments	-	-	-
Miscellaneous	1 100 00	5 651 80	4 551 80
Total revenues	348 100 00	396 820 28	48 720 28
Expenditures:			
Legislative:			
Township Board	5 120 00	4 793 75	(326 25)
General government:			
Supervisor	16 868 00	16 900 82	32 82
Elections	1 650 00	136 93	(1 513 07)
Assessor	29 000 00	25 059 35	(3 940 65)
Attorney	6 000 00	6 790 50	790 50
Clerk	17 568 00	17 206 68	(361 32)
Board of Review	1 200 00	945 70	(254 30)
Treasurer	17 703 00	17 496 20	(206 80)
Building and grounds	44 900 00	41 986 99	(2 913 01)
Cemetery	2 800 00	2 295 00	(505 00)
Unallocated	33 800 00	27 092 98	(6 707 02)
Public safety:			
Liquor law enforcement	-	-	-
Fire protection	55 000 00	52 420 00	(2 580 00)
Ambulance	3 500 00	3 375 00	(125 00)
Planning and zoning	18 340 00	14 759 89	(3 580 11)

The accompanying notes are an integral part of these financial statements.

Special Revenue Funds

<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
1 500 00	965 06	(534 94)
-	-	-
139 000 00	141 645 00	2 645 00
-	-	-
<u>140 500 00</u>	<u>142 610 06</u>	<u>2 110 06</u>

-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
2 500 00	2 508 87	8 87
-	-	-
-	-	-
-	-	-

TOWNSHIP OF FRASER  
Bay County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –  
GENERAL AND SPECIAL REVENUE FUNDS  
Year Ended March 31, 2004

EXHIBIT C  
Page 2

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Expenditures: (continued)			
Public works:			
Highways and streets	3 200 00	3 119 83	(80 17)
Street lighting	6 551 00	5 811 31	(739 69)
Sanitation	-	-	-
Drains	5 200 00	4 901 18	(298 82)
Culture and recreation:			
Recreation and parks	8 000 00	6 027 42	(1 972 58)
Other:			
Social security	8 000 00	7 443 33	(556 67)
Retirement	12 000 00	11 156 60	(843 40)
Contingency	136 400 00	-	(136 400 00)
Capital outlay	5 400 00	1 529 98	(3 870 02)
Debt service	<u>149 900 00</u>	<u>149 858 16</u>	<u>(41 84)</u>
Total expenditures	<u>588 100 00</u>	<u>421 107 60</u>	<u>(166 992 40)</u>
Excess (deficiency) of revenues over expenditures	<u>(240 000 00)</u>	<u>(24 287 32)</u>	<u>215 712 68</u>
Other financing sources (uses):			
Transfers from other funds	-	13 388 25	13 388 25
Total other financing sources (uses)	<u>-</u>	<u>13 388 25</u>	<u>13 388 25</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(240 000 00)	(10 899 07)	229 100 93
Fund balances, April 1	<u>350 000 00</u>	<u>382 787 79</u>	<u>142 787 79</u>
Fund Balances, March 31	<u>-</u>	<u>371 888 72</u>	<u>371 888 72</u>

The accompanying notes are an integral part of these financial statements.

Special Revenue Funds

<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
-	-	-
-	-	-
151 000 00	140 616 00	(10 384 00)
-	-	-
-	-	-
-	-	-
249 500 00	-	(249 500 00)
-	-	-
-	-	-
<u>403 000 00</u>	<u>143 124 87</u>	<u>(259 875 13)</u>
<u>(262 500 00)</u>	<u>(514 81)</u>	<u>261 985 19</u>
-	-	-
-	-	-
(262 500 00)	(514 81)	261 985 19
<u>262 500 00</u>	<u>269 097 22</u>	<u>6 597 22</u>
<u>-</u>	<u>268 582 41</u>	<u>268 582 41</u>



TOWNSHIP OF FRASER  
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2004

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Fraser, Bay County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14 "The Financial Reporting Entity," the general purpose financial statements of the Township contain all the Township funds and account groups that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Fraser. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Joint Venture

The Township and the Township of Pinconning and the City of Pinconning jointly formed the Pinconning Fraser Fire Department to provide fire protection services for the three local governmental units. The Township of Fraser paid \$52,420.00 to the fire department for the fiscal year ended March 31, 2004. The fire department is not considered a part of the reporting entity of the Township of Fraser. Separate financial statements may be obtained directly from their office in Pinconning, Michigan.

Basis of Presentation

The financial activities of the local unit are recorded in separate funds and account groups, categorized and described as follows:

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

TOWNSHIP OF FRASER  
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Debt Service Funds

These funds are used to record revenues which are restricted for the payment of principal and interest on debt recorded in the General Long-Term Debt Account Group.

Capital Projects Fund

This fund is used to account for the acquisition or construction of major capital facilities.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Account Groups

General Fixed Assets Account Group

This account group presents the fixed assets of the local unit utilized in its general operations.

General Long-Term Debt Account Group

This account group presents the balance of general obligation long-term debt.

Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present revenues and other financing sources and, expenditures and other financial uses in net current assets.

The modified accrual basis of accounting is followed by the governmental fund types. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual which is both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than principal and interest on long-term debt, are recorded when the related fund liability is incurred, if measurable. Principal and interest on general long-term debt is recognized when due.

TOWNSHIP OF FRASER  
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus/Basis of Accounting (continued)

Revenues from local sources consist primarily of property taxes. Property taxes and revenues received from the State are recognized when susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The Township 2003 tax roll millage rate was 2.1617 mills and the taxable value was \$71,630,351.00.

Fixed Assets

Purchases of fixed assets for all funds are recorded as expenditures in their respective funds at the time of purchase. They are also recorded at cost in the General Fixed Assets Group of Accounts as required by generally accepted accounting principles.

Investments

Investments are stated at market.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

TOWNSHIP OF FRASER  
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay, and therefore no accumulated amount is recorded in the financial statements.

Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

TOWNSHIP OF FRASER  
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Postemployment Benefits

The Township provides no postemployment benefits to past employees.

Note 2 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated five banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>730 101 72</u>

TOWNSHIP OF FRASER  
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2004

Note 2 – Deposits and Investments (continued)

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	383 617 26
Uninsured and Uncollateralized	<u>773 928 45</u>
Total Deposits	<u><u>1 157 545 71</u></u>

The Township's investments are categorized below to give an indication of the level of risk assumed by the Township. Risk category 1 includes those investments that meet any one of the following criteria: insured, registered, or held by the Township or its agent. Risk categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the Township's name. Category 3 includes investments held by the counterparty or the counterparty's trust department (or agent) but not in the Township's name.

The GASB Statement No. 3 risk disclosures for the Township's investments are categorized as follows:

	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>Carrying Amount</u>
<u>Investment Type</u>				
Risk-Categorized:				
Operating Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Risk-Categorized Investments	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u>-</u>
Nonrisk-Categorized:				
Financial Institution Pooled Funds				<u>62 587 96</u>
Total Investments				<u><u>62 587 96</u></u>

TOWNSHIP OF FRASER  
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2004

Note 2 – Deposits and Investments (continued)

The financial institution pooled funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes that the investments in the funds comply with the investment authority noted above.

Note 3 – Changes in General Fixed Assets

A summary of changes in general fixed assets follows:

	<u>Balance 4/1/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/04</u>
Land	6 534 00	-	-	6 534 00
Land improvements	81 870 60	-	-	81 870 60
Buildings	582 397 23	-	-	582 397 23
Building improvements	230 010 21	-	-	230 010 21
Equipment	91 919 66	1 529 98	-	93 449 64
Sewer system	299 666 13	-	-	299 666 13
Water system	<u>2 295 734 00</u>	<u>-</u>	<u>-</u>	<u>2 295 734 00</u>
Totals	<u>3 588 131 83</u>	<u>1 529 98</u>	<u>-</u>	<u>3 589 661 81</u>

Note 4 – Interfund Receivables and Payables

As of March 31, 2004, the interfund receivables and payables were as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	2 716 11	Current Tax Collection	2 716 11
General	<u>80 630 41</u>	Water Debt Service	<u>80 630 41</u>
Total	<u>83 346 52</u>	Total	<u>83 346 52</u>

TOWNSHIP OF FRASER  
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2004

**Note 5 – Changes in General Long-Term Debt**

A summary of changes in general long-term debt follows:

	<u>Balance 4/1/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 3/31/04</u>
Contracts payable – roads	170 798 04	36 666 51	149 858 16	57 606 39
Note payable – fire station	411 463 09	-	41 887 00	369 576 09
Note payable – Water line extension	73 894 32	-	6 752 81	67 141 51
1982 Water bonds payable	299 880 00	-	11 760 00	288 120 00
1998 Water bonds payable	760 146 30	-	43 794 44	716 351 86
1997 General obligation bonds	<u>31 296 00</u>	<u>-</u>	<u>7 824 00</u>	<u>23 472 00</u>
Totals	<u>1 747 477 75</u>	<u>36 666 51</u>	<u>261 876 41</u>	<u>1 522 267 85</u>

**Note 6 – Contracts Payable - Roads**

The contracts payable represent amounts due to the Bay County Road Commission. The long-term liability of \$57,606.39 is recorded in the General Long-Term Debt Account Group.

**Note 7 – Note Payable – Fire Station**

On November 22, 2000, the Township obtained a loan in the amount of \$488,485.00 from Lasalle Bank of Illinois to partially fund the construction of a fire sub station. The loan is repayable in ten annual installments beginning November 22, 2001, in the amount of \$65,710.71, including interest at the rate of 5.79% per annum. As of March 31, 2004, \$369,576.09 of the note principal remained outstanding and it is recorded in the General Long-Term Debt Account Group.

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
November 22, 2004	44 312 25	21 398 46	65 710 71
November 22, 2005	46 877 93	18 832 78	65 710 71
November 22, 2006	49 592 17	16 118 54	65 710 71
November 22, 2007	52 463 55	13 247 16	65 710 71
November 22, 2008	55 501 19	10 209 52	65 710 71



TOWNSHIP OF FRASER  
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2004

Note 7 – Note Payable – Fire Station (continued)

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
November 22, 2009	58 714 71	6 996 00	65 710 71
November 22, 2010	<u>62 114 29</u>	<u>3 596 42</u>	<u>65 710 71</u>
Total	<u>369 576 09</u>	<u>90 398 88</u>	<u>459 974 97</u>

Note 8 – Note Payable – Water Line Extension

On December 11, 2001, the Township obtained a loan in the amount of \$80,000.00 from Chemical Bank to fund the extension of water lines. The loan is repayable in ten annual installments beginning January 15, 2003, in the amount of \$10,303.38, including interest at the rate of 4.80% per annum. As of March 31, 2004, the outstanding principal balance was \$67,141.51 and it is recorded in the General Long-Term Debt Account Group.

Note 9 – Bonded Debt – Bay County Water Supply System (Fraser – Kawkawlin) Bond Issue

Purpose of issue:	Acquisition of water supply system
Method of payment:	Revenue of water supply system
Date of issue:	10/13/82
Interest rate:	5%
Amount authorized and sold:	\$1,490,000.00
Bonds outstanding at March 31, 2004	\$980,000.00

The following is the detail of bonds outstanding at March 31, 2004. In addition, the Township is obligated to pay its pro rata share of the interest.

<u>Bond Numbers</u>	<u>Due Date</u>	<u>Interest Rate</u>	<u>Total Principal</u>	<u>Fraser Township Portion</u>
103-110	7-1-04	5%	40 000 00	11 760 00
111-118	7-1-05	5%	40 000 00	11 760 00
119-127	7-1-06	5%	45 000 00	13 230 00
128-136	7-1-07	5%	45 000 00	13 230 00
137-145	7-1-08	5%	45 000 00	13 230 00

TOWNSHIP OF FRASER  
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2004

Note 9 – Bonded Debt – Bay County Water Supply System (Fraser – Kawkawlin) Bond Issue  
(continued)

<u>Bond Numbers</u>	<u>Due Date</u>	<u>Interest Rate</u>	<u>Total Principal</u>	<u>Fraser Township Portion</u>
146-154	7-1-09	5%	45 000 00	13 230 00
155-164	7-1-10	5%	50 000 00	14 700 00
165-174	7-1-11	5%	50 000 00	14 700 00
175-184	7-1-12	5%	50 000 00	14 700 00
185-194	7-1-13	5%	50 000 00	14 700 00
195-205	7-1-14	5%	55 000 00	16 170 00
206-216	7-1-15	5%	55 000 00	16 170 00
217-227	7-1-16	5%	55 000 00	16 170 00
228-238	7-1-17	5%	55 000 00	16 170 00
239-250	7-1-18	5%	60 000 00	17 640 00
251-262	7-1-19	5%	60 000 00	17 640 00
263-274	7-1-20	5%	60 000 00	17 640 00
275-286	7-1-21	5%	60 000 00	17 640 00
287-298	7-1-22	5%	60 000 00	17 640 00
Total Outstanding			<u>980 000 00</u>	<u>288 120 00</u>

On October 13, 1982, pursuant to an agreement with the Township of Fraser and Kawkawlin, Bay County, issued \$1,490,000.00 of its bonds to finance the cost of construction of Bay County Water Supply System (Fraser – Kawkawlin). The Township of Fraser is responsible for \$438,060.00, 29.4% of the project and the Township of Kawkawlin is responsible for \$1,051,940.00, 70.6% of the project.

Under this agreement, the Township becomes liable for its share of the bond issue and interest thereon in the event that revenues derived from charges to the system users are insufficient to pay therefore. As of March 31, 2004, the bonds outstanding amounted to \$1,020,000.00 plus interest. Fraser Township's portion of the bonds outstanding is \$288,120.00, which is recorded in the General Long-Term Debt Group of Accounts as they are backed by the full faith and credit of the Township.

In addition, the terms of the agreement provide for the Township to be liable for any deficiency in user charges necessary to cover operations and maintenance of the system, as well as any repairs and replacements or extensions and improvements that are made for the benefits of the Township.

TOWNSHIP OF FRASER  
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2004

Note 9 – Bonded Debt – Bay County Water Supply System (Fraser – Kawkawlin) Bond Issue  
(continued)

The agreement also provides that the County will own the system, and that the system will be operated by the Board of County Road Commissioners as the County's agent until the lesser of forty years or the retirement of all the bonds and related interest. Upon occurrence of one of the events, the agreement is terminated. The total fixed assets of the system as of December 31, 1988 are \$4,090,932.00, of which Fraser Township's portion is \$1,202,734.00. This is recorded in the General Fixed Assets Group of Accounts of the Township, in accordance with Financial Accounting Standards Board Opinion No. 13, regarding capitalizable leases.

Note 10 – Bonded Debt – Bay County Water Supply System (Fraser – Kawkawlin Extension) Bond Issue

Purpose of issue:	Acquisition of water distribution mains
Method of payment:	Revenue of water supply system
Date of issue:	7-1-98
Interest rate:	4.85% to 5.00%
Amount authorized and sold:	\$1,375,000.00
Bonds outstanding at March 31, 2004	\$1,145,000.00

The following is the detail of bonds outstanding at March 31, 2004. In addition, the Township is obligated to pay its pro rata share of the interest.

<u>Due Date</u>	<u>Interest Rate</u>	<u>Total Principal</u>	<u>Fraser Township Portion</u>
5-1-04	4.85%	70 000 00	43 794 44
5-1-05	4.85%	75 000 00	46 922 61
5-1-06	4.85%	75 000 00	46 922 61
5-1-07	4.85%	75 000 00	46 922 61
5-1-08	4.85%	75 000 00	46 922 61
5-1-09	4.85%	60 000 00	37 538 09
5-1-10	4.85%	60 000 00	37 538 09
5-1-11	4.85%	65 000 00	40 666 26
5-1-12	4.85%	65 000 00	40 666 26
5-1-13	4.85%	75 000 00	46 922 61
5-1-14	4.85%	80 000 00	50 050 78

TOWNSHIP OF FRASER  
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 10 – Bonded Debt – Bay County Water Supply System (Fraser – Kawkawlin Extension)  
Bond Issue (continued)

5-1-15	4.85%	85 000 00	53 178 96
5-1-16	4.90%	90 000 00	56 307 13
5-1-17	4.95%	95 000 00	59 435 31
5-1-18	5.00%	<u>100 000 00</u>	<u>62 563 49</u>
Total Outstanding		<u>1 145 000 00</u>	<u>716 351 86</u>

On July 1, 1998, pursuant to an agreement with the Townships of Fraser and Kawkawlin, Bay County issued \$1,375,000.00 of its bonds to finance the cost of construction of the Bay County Water Supply System (Fraser – Kawkawlin Extension). The Township of Fraser is responsible for \$860,247.86, 62.56% of the project and the Township of Kawkawlin is responsible for \$514,753.00, 37.44% of the project.

Under this agreement, the Township becomes liable for its share of the bond issue and interest thereon in the event that revenues derived from charges to the system users are insufficient to pay therefore. As of March 31, 2004, the bonds outstanding amounted to \$1,215,000.00 plus interest. Fraser Township's portion of the bonds outstanding is \$716,351.86, which is recorded in the General Long-Term Debt Group of Accounts as they are backed by the full faith and credit of the Township.

In addition, the terms of the agreement provide for the Township to be liable for any deficiency in user charges necessary to cover operations and maintenance of the system, as well as any repairs and replacements or extensions and improvements that are made for the benefits of the Township.

The agreement also provides that the County will own the system, and that the system will be operated by the Board of County Road Commissioners as the County's agent until the lesser of forty years or the retirement of all the bonds and related interest. Upon occurrence of one of these events, the agreement is terminated. The total fixed assets of the system as of December 31, 1999 are \$1,678,188.00 of which Fraser Township's portion is \$1,093,000.00. This is recorded in the General Fixed Assets Group of Accounts of the Township, in accordance with Financial Accounting Standards Board Opinion No. 13, regarding capitalizable leases.

Note 11 – Bay County 1997 General Obligation Bonds

On May 1, 1997 Bay County issued \$790,000.00 of its bonds. The Township of Fraser is responsible for \$77,262.00 of the bonds plus interest. As of March 31, 2004, the Township of Fraser's outstanding principal balance is \$23,472.00 and it is recorded in the General Long-Term Debt Group of Accounts.

TOWNSHIP OF FRASER  
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2004

Note 11 – Bay County 1997 General Obligation Bonds (continued)

<u>Due Date</u>	<u>Interest Rate</u>	<u>Fraser Township Principal</u>
1-1-05	5.0%	7 824 00
1-1-06	5.1%	7 824 00
1-1-07	5.2%	<u>7 824 00</u>
Total		<u>23 472 00</u>

Note 12 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 13 – Retirement Plan

The Township has a retirement plan that covers all full-time employees of the Township. Under the plan, the Township contributes amounts based on the employees' annual earnings for the purchase of annuities. Employees may contribute additional amounts of their compensation on a voluntary basis. The Township's retirement contributions amounted to \$11,156.60 for the year ended March 31, 2004.

Note 14 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts, and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 15 – Building Permits

The Township of Fraser does not issue building permits. Building permits are issued by the Township Code Enforcement Department of Bay County, Michigan.

TOWNSHIP OF FRASER  
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2004

Note 16 – Budget Variances

During the fiscal year ended March 31, 2004, Township expenditures exceeded the budgeted amounts in several activities as follows:

	<u>Total Budget</u>	<u>Total Expenditures</u>	<u>Excess Expenditures</u>
General Fund:			
Activity:			
Supervisor	16 868 00	16 900 82	32 82
Attorney	6 000 00	6 790 50	79 050
Liquor Fund:			
Activity:			
Liquor law enforcement	2 500 00	2 508 87	8 87

Note 17 – Total Columns on Combined Statements--Overview

The total columns on the combined financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation, because interfund eliminations have not been made in the aggregation of this data.

TOWNSHIP OF FRASER  
Bay County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT

Year Ended March 31, 2004

EXHIBIT D

Page 1

Township Board:	
Salaries	4 680 00
Mileage	113 75
	<u>4 793 75</u>
Supervisor:	
Salary	15 828 00
Mileage	1 072 82
	<u>16 900 82</u>
Elections:	
Supplies	136 93
	<u>136 93</u>
Assessor:	
Salary	21 342 00
Mileage	190 05
Miscellaneous	3 527 30
	<u>25 059 35</u>
Attorney:	
Professional services	6 790 50
	<u>6 790 50</u>
Clerk:	
Salary – Clerk	15 828 00
Salary – Deputy	748 00
Supplies	291 88
Mileage	338 80
	<u>17 206 68</u>
Board of Review:	
Salaries	770 00
Printing and publishing	171 50
Mileage	4 20
	<u>945 70</u>
Treasurer:	
Salary – Treasurer	15 828 00
Salary – Deputy	871 25
Contracted services	259 00
Mileage	537 95
	<u>17 496 20</u>
Building and grounds:	
Salaries	11 221 76
Utilities	11 667 58
Operating supplies	3 916 39
Contracted services	944 63
Repairs and maintenance	2 557 38

TOWNSHIP OF FRASER  
Bay County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year Ended March 31, 2004

EXHIBIT D  
Page 2

Building and grounds: (continued)

Telephone	2 127 85
Insurance	7 218 00
Miscellaneous	2 333 40
	<u>41 986 99</u>

Cemetery:

Contracted services	<u>2 295 00</u>
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Unallocated:

Salaries	1 399 89
Supplies	3 070 46
Audit	2 800 00
Contracted services	5 728 13
Printing and publishing	371 50
Dues and seminars	4 262 55
Miscellaneous	9 460 45
	<u>27 092 98</u>

Fire protection:

Contracted services	<u>52 420 00</u>
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Ambulance:

Contracted services	<u>3 375 00</u>
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Planning and zoning:

Salaries	8 786 47
Contracted services	5 027 50
Telephone	276 86
Miscellaneous	669 06
	<u>14 759 89</u>

Highways and streets:

Maintenance	<u>3 119 83</u>
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Street lighting:

Utilities	<u>5 811 31</u>
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Drains

<u>4 901 18</u>
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Parks:

Supplies	11 33
Contracted services	1 730 00
Repairs and maintenance	4 286 09
	<u>6 027 42</u>



TOWNSHIP OF FRASER  
Bay County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT

Year Ended March 31, 2004

EXHIBIT D  
Page 3

Social security	<u>7 443 33</u>
Retirement: Contributions	<u>11 156 60</u>
Capital outlay	<u>1 529 98</u>
Debt service	<u>149 858 16</u>
Total Expenditures	<u><u>421 107 60</u></u>

TOWNSHIP OF FRASER  
Bay County, Michigan

COMBINING BALANCE SHEET – ALL SPECIAL REVENUE FUNDS

March 31, 2004

EXHIBIT E

	<u>Liquor Law Enforcement</u>	<u>Solid Waste</u>	<u>Total</u>
<u>Assets</u>			
Cash in bank	378 44	254 833 69	255 212 13
Special assessments receivable	-	13 370 28	13 370 28
Total Assets	<u>378 44</u>	<u>268 203 97</u>	<u>268 582 41</u>
<u>Liabilities and Fund Balances</u>			
Liabilities	-	-	-
Fund balances:			
Unreserved:			
Undesignated	<u>378 44</u>	<u>268 203 97</u>	<u>268 582 41</u>
Total Liabilities and Fund Balances	<u>378 44</u>	<u>268 203 97</u>	<u>268 582 41</u>

TOWNSHIP OF FRASER  
Bay County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – ALL SPECIAL REVENUE FUNDS

Year Ended March 31, 2004

EXHIBIT F

	<u>Liquor Law Enforcement</u>	<u>Solid Waste</u>	<u>Total</u>
Revenues:			
Interest	-	965 06	965 06
Special assessments	-	<u>141 645 00</u>	<u>141 645 00</u>
Total revenues	-	<u>142 610 06</u>	<u>142 610 06</u>
Expenditures:			
Public safety:			
Liquor law enforcement:			
Contracted services	2 508 87	-	2 508 87
Public marks:			
Sanitation – contracted services	-	<u>140 616 00</u>	<u>140 616 00</u>
Total expenditures	<u>2 508 87</u>	<u>140 616 00</u>	<u>143 124 87</u>
Excess (deficiency) of revenues over expenditures	(2 508 87)	1 994 06	(514 81)
Fund balances, April 1	<u>2 887 31</u>	<u>266 209 91</u>	<u>269 097 22</u>
Fund Balances, March 31	<u><u>378 44</u></u>	<u><u>268 203 97</u></u>	<u><u>268 582 41</u></u>

TOWNSHIP OF FRASER  
Bay County, Michigan

COMBINING BALANCE SHEET – ALL DEBT SERVICE FUNDS

March 31, 2004

EXHIBIT G

	<u>Fire</u>	<u>Water</u>	<u>Total</u>
<u>Assets</u>			
Cash in bank	63 831 72	80 931 30	144 763 02
Investments	-	62 587 96	62 587 96
Taxes receivable	5 055 59	-	5 055 59
Special assessments receivable	-	143 780 12	143 780 12
Total Assets	<u>68 887 31</u>	<u>287 299 38</u>	<u>356 186 69</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Deferred revenue	-	141 094 16	141 094 16
Due to other funds	-	80 630 41	80 630 41
Total liabilities	<u>-</u>	<u>221 724 57</u>	<u>221 724 57</u>
Fund balances:			
Reserved for debt service	<u>68 887 31</u>	<u>65 574 81</u>	<u>134 462 12</u>
Total Liabilities and Fund Balances	<u>68 887 31</u>	<u>287 299 38</u>	<u>356 186 69</u>

TOWNSHIP OF FRASER  
Bay County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – ALL DEBT SERVICE FUNDS

Year Ended March 31, 2004

EXHIBIT H

	<u>Fire</u>	<u>Water</u>	<u>Total</u>
Revenues:			
Property taxes	69 517 76	-	69 517 76
Charges for services	5 101 75	20 300 00	25 401 75
Interest	206 98	1 092 01	1 298 99
Special assessments	<u>-</u>	<u>36 839 78</u>	<u>36 839 78</u>
Total revenues	<u>74 826 49</u>	<u>58 231 79</u>	<u>133 058 28</u>
Expenditures:			
Public safety:			
Fire department	8 237 72	-	8 237 72
Public works:			
Water	-	667 80	667 80
Other:			
Capital outlay	-	-	-
Debt service	<u>65 710 71</u>	<u>72 622 08</u>	<u>138 332 79</u>
Total expenditures	<u>73 948 43</u>	<u>73 289 88</u>	<u>147 238 31</u>
Excess (deficiency) of revenues over expenditures	<u>878 06</u>	<u>(15 058 09)</u>	<u>(14 180 03)</u>
Other financing sources (uses):			
Operating transfers out	<u>-</u>	<u>(13 388 25)</u>	<u>(13 388 25)</u>
Total other financing sources (uses)	<u>-</u>	<u>(13 388 25)</u>	<u>(13 388 25)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	878 06	(28 446 34)	(27 568 28)
Fund balances, April 1	<u>68 009 25</u>	<u>94 021 15</u>	<u>162 030 40</u>
Fund Balances, March 31	<u>68 887 31</u>	<u>65 57 481</u>	<u>134 462 12</u>

TOWNSHIP OF FRASER  
Bay County, Michigan

CURRENT TAX COLLECTION FUND STATEMENT  
OF CHANGES IN ASSETS AND LIABILITIES

Year Ended March 31, 2004

EXHIBIT I

	<u>Balance</u> <u>4/1/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/04</u>
<u>Assets</u>				
Cash in bank	<u>9 321 10</u>	<u>2 226 286 67</u>	<u>2 226 737 11</u>	<u>8 870 66</u>
<u>Liabilities</u>				
Due to other funds	4 038 15	360 727 80	362 049 84	2 716 11
Due to other units	<u>5 282 95</u>	<u>1 865 558 87</u>	<u>1 864 687 27</u>	<u>6 154 55</u>
Total Liabilities	<u>9 321 10</u>	<u>2 226 286 67</u>	<u>2 226 737 11</u>	<u>8 870 66</u>

TOWNSHIP OF FRASER  
Bay County, Michigan

CURRENT TAX COLLECTION FUND STATEMENT  
OF CASH RECEIPTS AND DISBURSEMENTS

Year Ended March 31, 2004

EXHIBIT J

Cash on hand and in bank – beginning of year	<u>9 321 10</u>
Cash receipts:	
Property taxes	2 201 450 46
Animal licenses	1 554 00
Tax collection fees	21 535 17
Interest	<u>1 747 04</u>
Total cash receipts	<u>2 226 286 67</u>
Total beginning balance and cash receipts	<u>2 235 607 77</u>
Cash disbursements:	
Township General Fund	131 536 02
Township Solid Waste Fund	128 274 72
Township Fire Debt Service Fund	64 498 77
Township Water Debt Service Fund	37 740 33
Bay County	1 052 353 92
Bay Metropolitan Transportation Authority	49 800 63
Delta College	168 888 75
Pinconning Area School District	213 267 96
Bay Arenac Intermediate School District	329 241 36
Linwood Metropolitan Water District	49 281 18
State of Michigan	573 75
Refunds	<u>1 279 72</u>
Total cash disbursements	<u>2 226 737 11</u>
Cash on Hand and in Bank – End of Year	<u>8 870 66</u>

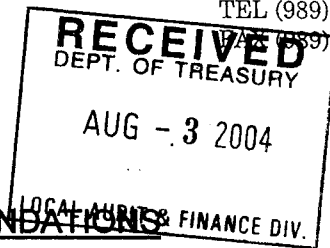
# CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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## AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

June 18, 2004

To the Township Board  
Township of Fraser  
Bay County, Michigan

We have audited the financial statements of the Township of Fraser, for the year ended March 31, 2004. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Fraser in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.



To the Township Board  
Township of Fraser  
Bay County, Michigan

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

To the Township Board  
Township of Fraser  
Bay County, Michigan

### **GASB 34 IMPLEMENTATION**

The Governmental Accounting Standards Board issued a new reporting model for governmental units which is to be implemented over the next few years. The implementation date of this pronouncement for the Township of Fraser will begin with the year ended March 31, 2004, and will need to be implemented fully by March 31, 2005. The daily operations and recording transactions should not change significantly, however, the Township will be required to maintain additional records for the year end adjustments to the final presentation format.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

Our procedures disclosed the following conditions that we would like to bring to your attention:

#### **SEGREGATION OF DUTIES**

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2004.

#### **SUMMARY**

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

*Campbell, Kusterer & Co., P.C.*

CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants